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# RAPIDLY GROWING GERMAN FASHION EXPORT TO CHINA VOLUMES CONSIDERABLY UPGRADEABLE / ITALY LOSES TOP POSITION TO NORTH KOREA



Beijing (gtai) - Chinese consumers appreciate German goods from cars to saucepan. Fashion "Made in Germany" is only now discovered. German providers benefit from the good image of their country of origin - and from the desire of the growing middle class to afford something "good". Local production usually has a rather bad reputation. However there is a lack of presence, German brand names are hardly known. Despite the high growth rates the sales potential is by far not yet exhausted.



German Fashion in the PRC is coming: according to Chinese custom statistics in the first ten months of 2015 Chinese purchases from Germany of knitted and crocheted clothing and garments (HS-Pos. 61) rose by a whopping 31.8% and by 5.1 % in other apparel and clothing accessories (HS-Pos. 62). This is all the more remarkable because the total imports for clothes grew in the same period by 3.6% only, - and China across all sectors even recorded a stately import reduction by 15.7%.

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But a sales volume of USD 5.6 million USD of a total import of products of these HS headings of USD 4.9 billion is rather negligible. In fact, German fashion brands, with a few exceptions such as Hugo Boss and Escada, are yet barely visible in the PRC. A really good positioning was reached by Adidas only.

Main delivering country for the PRC was Italy until September 2015, its highly quality textiles and clothing are greatly apprecia-



ted. It shipped in the first ten months of 2015 sector products worth USD 688.7 million. However, given the ongoing austerity and anti-corruption policy the Italian imports tend downwards significantly (-11.6% compared to the same period last year).

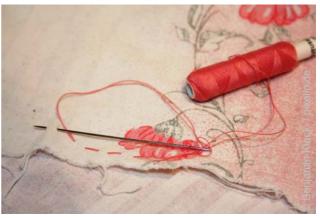
### Luxury purchases are shifted abroad

The Shanghai Daily wrote in October 2015, Chinese luxury purchases have been shifted to abroad at two-thirds since 2012. In Paris, Milan, London, New York or Tokyo one can buy anonymously and also cheaper than on the mainland. In addition, there is a trend away from the "quasi everywhere" available "big names" to new, less known, more individual designers.

At least there seems to be a still unabated propensity abroad: For example, the Financial Services Global Blue reported an increase in tax refunds of Chinese tourists in August 2015 of 65.6% (July: + 73%) compared to the same month of the previous year.

Detached from the top position was Italy in October from Korea (Dem. P.R.) with USD 663.9 million. On the third and fourth place follow Vietnam (USD 587.5 million) and Bangladesh (USD 364.7 million). The success of these three countries is probably due to an already shifted production capacity of Chinese manufacturers, which bring their products back to China to sell them there.





### Chinese imports of clothing

### (in USD million, change in % compared to the previous year period)

HS- Pos.	Designation	2012	2013	2014	January til October 2015	Change
61	Apparel and clothing accessories, knitted or crocheted, coming from	1,344	1,666	2,067	1,894	9.9
	.Vietnam	87	169	242	280	39.9
	.ltaly	231	267	296	226	-8.2
	.Bangladesh	63	89	144	146	20.2
	.Korea (Dem.)	67	88	119	139	34.3
	.Deutschland	5	2	2	2	31.8
62	Apparel and clothing accessories, not knitted or crocheted from	2,664	3,141	3,559	3,034	0.1

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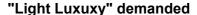
HS- Pos.	Designation	2012	2013	2014	January til October 2015	Change
	.Korea (Dem.)	373	499	622	525	-4.8
	.ltaly	514	577	631	463	-11.6
	.Vietnam	154	236	310	307	18.9
	.Bangladesh	90	142	191	219	30.7
	.Germany	5	4	4	3	5.1
	Total	4,009	4,807	5,626	4,927	3.6

Source: China Customs

As in many other areas of consumer goods in the "Dress-Question" Germany does not utilize its opportunities on the Chinese market. According to sector insiders "here could happen much more" - not least because of the excellent reputation that the label "Made in Germany" enjoys among Chinese consumers.

The recommendation is - and this was repeated on the last "Chic" once again - to see China not only as a procurement market but increasingly as a sales market too. In the words of a German leather jacket provider: "Twenty





The "big" Italian or French brands such as Gucci, Armani or Chanel remain inaccessible for the most. Fashion "Made in Germany" can cover a niche in the medium price range that is affordable for the growing urban middle class, that also would like to buy "something international" and has come to appreciate German products from automobiles saucepan. For them German fashion is not for luxury, but for good execution respectively processing and good material. At the same time other competitors are active in this field. In a similar notch for example, the Dutch men's wear supplier Suitsupply abuts, which opened in Shanghai in the summer.





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Fake products are not an alternative for this clientele. In fact, the Chinese consumer does not make its decision for a German product due to the low price, but rather by the desire to acquire a piece of excellent quality. This then may cost something and stands out from the mainstream, whether through innovative materials, unusual combinations of materials, individual or humorous cuts or by a special design.

Increasingly demanded are accessories such as matching belts, bags or shoes. As a micro-trend in the younger generation applies also wearing hats - and who wants to leave is going to the popular Octoberfest in a real Dirndl.

## Sales price at least three times the purchase price

German manufacturers take advantage from the "demographic factor": the Chinese society is aging rapidly. Accordingly the demand is shifting away from "more funky and young" goods towards timeless, trendy-fashionable, quality orientated clothing, which then may be slightly



more expensive - and it de facto also is. Experiential German import goods become more expensive due to transportation, customs and usual trading margin up to at least three times the buying price.

However, as successful niche products yes, - for the masses German goods therefore are not suitable. This may apply to lovingly designed eco-slippers as well as for trendy hats or quality handbags in a "Light-luxury segment". Not seldom the one or the other gap in the market can only be detected by local presence - so for example - each country has its own "house shoe culture", with which one must learn to deal with as a provider.

According to the experience of many exhibitors, sometimes Chinese buyers like with high standards masterfully crafted products even more than the Germans themselves. Moreover it is advantageous, to be able to offer customers next to the actual product, "a story". So it absolutely impresses, when a company is family-run by the fourth generation - or high craftsmanship can be documented with a film.



<u>Source:</u> Stefanie Schmitt, Germany Trade & Invest <u>www.gtai.de</u>
Translation: Textination-Team

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